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PLEASE RESPOND TO:
KINGSPORT OFFICE

WRITER'S DIRECT DIAL NUMBER:
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March 12, 2010
VIA EMAIL & FEDEX

AMEP/Z.85308

ATTN: Sharla Dillon, Dockets & Records Manager
Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

filed electronically in docket office on 03/12/10
Docket No. 10-00037

Re: Petition of Kingsport Power Company d/b/a
AEP Appalachian Power for Permission to
Recoup Increased Inspection Fees

Dear Chairman Kyle:

Please find enclosed the original and four (4) copies of the Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Permission to Recoup Increased Inspection Fees. Please return a filed copy to our office in the enclosed envelope. Also enclosed is a check in the amount of \$25.00 to cover the filing fee.

A courtesy copy of the enclosed Petition will be sent to Mr. Ed Petrini, counsel for the ETEC, a group of Kingsport's industrial customers.

If you have any questions, please do not hesitate to contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

Sara Kyle, Chairman
Page 2
March 12, 2010

WCB/slb

Enclosures

cc: Cynthia E. Kinser, Esq. (w/enc.)
James R. Bacha, Esq. (w/enc. via email)
William A. Bosta (w/enc. via email)
Gary Simmons (w/enc. via email)

**Before the
Tennessee Regulatory Authority
Nashville, Tennessee**

**In Re: Petition of Kingsport
Power Company d/b/a
AEP Appalachian Power
For Permission to Recoup
Increased Inspection Fees**

TRA Docket No.: _____

PETITION FOR PERMISSION TO RECOUP INCREASED INSPECTION FEES

Comes Kingsport Power Company, d/b/a AEP Appalachian Power ("Kingsport"), and, pursuant to T.C.A. § 65-4-303, seeks permission of the Tennessee Regulatory Authority to recoup increased inspection fees, as set forth more fully hereinbelow:

1. Kingsport is a public utility with its principal office in Kingsport, Tennessee, and is engaged in the business of furnishing electric power services to retail customers in its service delivery area which includes parts of Sullivan, Washington and Hawkins Counties, Tennessee, the City of Kingsport, Tennessee, and the Town of Mt. Carmel, Tennessee. Kingsport purchases all of its electric power requirements from Appalachian Power Company, whose rates and charges are subject to the jurisdiction of the Federal Energy Regulatory Commission.

2. T.C.A. § 65-4-301(a)(1) mandates that Kingsport, and every other public utility doing business in Tennessee and subject to the jurisdiction of the TRA, pay to the State of Tennessee "... on or before April 1 of each year, a fee for inspection, control, and supervision of the business, service and rates of such public utility."

3. In Public Chapter No. 531, effective June 17, 2009, the Tennessee General Assembly amended T.C.A. § 65-4-303 which now reads as follows:

"§ 65-4-303. Fees; gross receipts; rates and charges

(a) The amount of the fee provided for in this section is to be measured by the amount of the gross receipts from intrastate operations of each public utility in excess of five thousand dollars (\$5,000).

(b) "Gross receipts from intrastate operations" means total revenues, before any deductions, which are recognized by the authority as utility revenue for the purpose of setting intrastate rates under chapter 5 of this title. These receipts shall not include any revenues from directory operations; provided, that the exclusion of these revenues from directory operations shall not affect the power of the authority to include or exclude these revenues in setting intrastate rates.

(c)(1) Except as set forth in subsection (c)(2) that follows, the fee fixed and assessed against and to be paid by each public utility shall be due and payable on or before April 1, 2010, and each April 1 thereafter and be based on the previous calendar year's gross receipts from intrastate operations. The fee shall be as follows: four dollars and twenty-five cents (\$ 4.25) per one thousand dollars (\$ 1,000) for the first one million dollars (\$ 1,000,000) or less of such gross receipts over five thousand dollars (\$ 5,000); and for public utility gross receipts over and above one million dollars (\$ 1,000,000), the fee shall be three dollars and twenty-five cents (\$ 3.25) per one thousand dollars (\$1,000).

(2) The fee fixed and assessed against and to be paid by each telecommunications public utility that has, as of July 1, 2009, over one million (1,000,000) telephone access lines in the State of Tennessee and elects to operate under market regulation pursuant to section 65-5-109 by the date that the fee is due and payable shall be as follows: the fee shall be three dollars (\$ 3.00) per one thousand dollars (\$ 1,000) for the first one million dollars (\$ 1,000,000) or less of gross receipts from intrastate operations over five thousand dollars (\$ 5,000); and for such public utility gross receipts over and above one million dollars (\$ 1,000,000) two dollars and seventy-three cents (\$ 2.73) per one thousand dollars (\$ 1,000) of gross receipts from intrastate operations. Such fee shall be due and payable on or before April 1, 2010, and each April 1 thereafter.

(d) The fee provided for in this section may be recovered by a public utility operating under rate of return regulation through either a rate case proceeding pursuant to section 65-5-103 or through separate recovery mechanism to be determined by the authority. Nothing in this section shall alter the manner in which public utilities that operate under price regulation or market regulation, pursuant to section 65-5-109, may set rates. Nothing in this section shall alter the limitations on the jurisdiction of the authority over market-regulated companies as set forth in section 65-5-109. A public utility may recoup its inspection fees by including a line item on its subscribers' bills." (Emphasis added).

4. The inspection fee liability to be incurred by Kingsport under the formula set forth in T.C.A. § 65-4-303(c) (as amended) which is due and payable on or before April 1, 2010, will be approximately Four Hundred Seventy-one Thousand and no/100 Dollars (\$471,000.00), of which approximately \$180,000 will be collected through base rates. A

copy of the inspection fee computation, and the determination of the amount collected through base rates is included herein as EXHIBIT A

5. Kingsport seeks to recover the incremental increase in the inspection fee of approximately \$291,000.00 through a surcharge of 0.2% to be applied to customers' bills pursuant to T.C.A. § 65-4-303(d) (See EXHIBIT A).

6. Kingsport proposes that the following language would appear on the monthly bills of its customers for service rendered commencing on April 15, 2010:

""TENNESSEE INSPECTION FEE SURCHARGE"

7. Kingsport proposes to recover the incremental increase by applying the surcharge of 0.2% times a customer's total bill. This use of a percentage surcharge approach will align the tax liability with collections and thereby minimize the need for changes in the surcharge in subsequent years. Kingsport attaches hereto as EXHIBIT B proposed Tariff Sheet No. 2-13 of T.R.A. Tariff Number 1.

8. Notwithstanding that the relief sought herein is not in the nature of a general rate case, because the application of the incremental inspection fee to each customer will result in an increased charge for each customer, Kingsport proposes to follow the public notice procedure during the pendency of the proceeding outlined in TRA Rule 1220-4-1-.05. A copy of the proposed office and newspaper notice, which Kingsport would have printed in the Kingsport Times-News, a newspaper of general circulation located in Kingsport's service area, is attached hereto as EXHIBIT "C". Kingsport is also serving a copy of this Petition on the Consumer Advocate Division, Office of the Attorney General of the State of Tennessee.

PREMISES CONSIDERED, KINGSPORT REQUESTS THE FOLLOWING:

1. That this Petition be filed and a docket be opened by the TRA permitting the TRA to consider the contents hereof;
2. That upon consideration of this Petition, the TRA issue an Order permitting Kingsport to recoup its inspection fee payment by line item on its customers' bills consistent with EXHIBIT "B" hereto;
3. That Kingsport be permitted by said Order to recoup said inspection fee payment by line item on its customers' bills so long as Kingsport is permitted by law to recoup said payments;
4. That Kingsport's method for providing notice of this Petition to its customers, the public, and the Consumer Advocate Division, Office of the Attorney General be deemed adequate; and,
5. That Kingsport be granted such further and other relief and general relief if warranted.

Respectfully submitted,

By: William C. Bovender
William C. Bovender, Esq. (BPR#000751) *by JBT
w/permission*
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By: James R. Bacha
James R. Bacha, Esq.
American Electric Power Service
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Columbus, OH 43215
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**Attorneys for Kingsport Power Company
d/b/a AEP Appalachian Power**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Petition for Approval of Special Contract has been served upon Office of the Consumer Advocate, Office of the Attorney General, by mailing a copy of same by United States mail, postage prepaid, to below on this the 12th day of March, 2010, as follows:

Cynthia E. Kinser
Consumer Advocate Division
Office of the Attorney General
P.O. Box 30207
425 5th Avenue North, 2nd Floor
Nashville, TN 37243-0500

HUNTER, SMITH & DAVIS, LLP

By: William C. Bovender
William C. Bovender, Esquire

KINGSPORT POWER COMPANY

TENNESSEE REGULATORY AUTHORITY
REPORT OF GROSS EARNINGS & COMPUTATION OF INSPECTION FEE
REPORTING YEAR 2010

<u>GROSS RECEIPTS</u>	<u>ENTIRE COMPANY</u>	<u>TENNESSEE</u>
ELECTRIC REVENUES (GLR1110S - T. Sales of Elec)	143,625,994.00	143,625,994.00
Less: Sales - Affiliated		
a/c 4420005-C&I Sales - Affil Cos	114.00	114.00
a/c 4420019-Affiliated C&I Sales - Fuel Rev	17.00	17.00
NET ELECTRIC REVENUES	143,625,863.00	143,625,863.00
MISC - (TOTAL OTHER OPERATING REVENUES) (GLR1110S -T. Other Operating Rev)	1,282,015.00	1,282,015.00
Less: Oth Oper Revenue/Affiliates		
a/c 4540001-Rent from Elec Prop-Af	33,825.00	33,825.00
a/c 4540003-Rent from Elec Prop-ABD-Affil	0.00	0.00
MISC - (NET OTHER OPERATING REVENUES)	1,248,190.00	1,248,190.00
LESS: UNCOLLECTIBLES (A/C 4265010)	189,702.00	189,702.00
<u>TOTAL REVENUES</u>	144,684,351.00	144,684,351.00

COMPUTATION OF FEE

1. Tennessee Intrastate Gross Receipts			144,684,351.00
2. Less: Exemptions			<u>5,000.00</u>
3. Net Intrastate Gross Receipts (line 1-line2)			144,679,351.00
4. 0.425% x First \$1,000,000 or line 3, if smaller	1000000	0.00425	4,250.00
5. 0.325% x All over \$1,000,000		0.00325	<u>466,958.00</u>
6. Total Inspection Fee	(line 4 + line 5) or \$100 min.		<u>471,208.00</u>

Kingsport's Tennessee Inspection Fee

Inspection Fee as Invoiced using Kingsport 2009 Revenues	\$ 471,208
KGPT's 1991 Inspection Fee (from COS)	\$101,954
KGPT's approved revenue reqm't (from settlement agreement)	\$81,766,960
KGPT's 1991 recovery rate in base rates: \$101,954/\$81,766,960 =	0.0012469
KGPT's 2009 revenues	<u>\$144,684,351</u>
2009 Inspection Fee Recovery thru base rates=	<u>\$180,405</u>
Estimated increase in Inspection Fee over base rates	<u><u>\$290,803</u></u>
Inspection Fee surcharge rate = \$290,803 / \$144,684,351	= <u><u>0.002010</u></u>
Recommended Factor	<u><u>0.2%</u></u>

EXHIBIT B

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Original Sheet No. 2-13
T.R.A. Tariff Number 1

TENNESSEE INSPECTION FEE RIDER

Kingsport Power is authorized under the terms of this rider to apply a surcharge to all customer bills rendered by the Company to allow for changes in the Tennessee Inspection Fee.

The Tennessee Inspection Fee Rider shall be calculated by multiplying the customer's total bill by 0.2%.

This rider shall be a separate line on customer's bills and shall remain in effect until changed by the Tennessee Regulatory Authority.

Issued: April 12, 2010
By: Dana Waldo, President

Effective: April 15, 2010
Pursuant to an Order in
Docket Number 10-

**KINGSPORT POWER COMPANY
NOTICE TO PUBLIC**

Pursuant to a directive of the Tennessee Regulatory Authority ("TRA"), Kingsport Power Company, d/b/a AEP Appalachian Power ("Kingsport"), hereby gives notice that on **March 12, 2010**, it filed a notice with the TRA relative to a new Tennessee Inspection Fee Surcharge. T.C.A. § 65-4-301(a)(1) mandates that Kingsport, and every other public utility doing business in Tennessee and subject to the jurisdiction of the TRA, pay to the State of Tennessee "...a fee for inspection, control, and supervision of the business, service and rates of such public utility." In Public Chapter No. 531, effective June 17, 2009, the Tennessee General Assembly amended T.C.A. § 65-4-303 which increased the amount of the inspection fee and allowed public utilities to "...recoup its inspection fee by including a line item on its subscribers' bills".

Kingsport estimates its increased Tennessee Inspection Fee liability to be **\$291,000** greater than what will be collected through its base rates; therefore, Kingsport proposes to recover this incremental increase by applying a surcharge of **0.2%** times a customer's total bill. This Tennessee Inspection Fee Surcharge will become effective **April 15, 2010** on a 'service rendered' basis.

Kingsport anticipates that the TRA will consider the Tennessee Inspection Fee Rider at the TRA's **April 12, 2010** conference, to be held at the TRA's offices at 460 James Robertson Parkway, Nashville, Tennessee.